

Central Intelligence Agency



Washington, D.C. 20505

18 June 1984

Mr. William von Raab, Commissioner
U.S. Customs Service
Department of Treasury
Washington, D.C. 20229

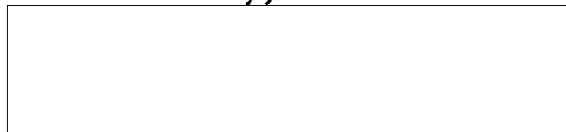
Dear Mr. von Raab:

This is the Director's speech at Palo Alto
on the subject of technology transfer. You asked
for it at lunch today.

Please let me know if there is anything
else you need on this subject.

Thanks so much for lunch.

Sincerely,



Clair E. George
Director, Office of Legislative Liaison

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Enclosure

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REMARKS OF WILLIAM J. CASEY

DIRECTOR OF CENTRAL INTELLIGENCE

before

THE COMMONWEALTH CLUB OF CALIFORNIA

Palo Alto, California

3 April 1984

THE CHALLENGE OF AMERICAN INTELLIGENCE

I thought I'd tell you briefly what American intelligence sees out there around the world and how we go about serving as the nation's first line of defense. It has to be fairly general and after that I'll try to answer your questions and go into things more deeply as far as I can without being indiscreet. The Soviet Union still dominates our interest. As great Kremlin watchers, we see Chernenko as the third of three aging and sick leaders. He is a transitional leader and whether he dies tomorrow or two years from now makes little difference. CIA buried Chairman Mao some twenty times before he finally died and that made us very careful about predicting when anyone might cash in.

What we do know is that the Soviets have a large and growing arsenal of nuclear weapons which are aimed at the United States, western Europe and East Asia. On top of that, new missiles and missile carrying planes and submarines are being designed, developed, tested and deployed in amazing profusion. This is compounded by the work the Soviets have carried on over the last decade to improve their capability for missile defense while we have done little or nothing. Recently we have seen alarming signs of radar deployments, which may go beyond the 1972 treaty limiting missile defense, the testing of interceptors and other activities which would give them a running start if they decided to break the treaty and establish a nationwide missile defense. This, of course, could heavily tip the strategic balance against us.

On the European front, the Warsaw Pact forces outnumber us in troop strength, tanks, guns and planes. These weapons are being deployed in an increasingly aggressive way and backed up with long-range missiles which can reach European capitals. Yet the main threat may be elsewhere. Khrushchev told us in 1961 that the communists would win not through nuclear war, not through conventional war, which might soon become nuclear, but through "national liberation wars in Africa, Asia and Latin America. We didn't believe that any more than we believed Hitler when he told us in the early thirties how he would take over Europe.

The Soviets developed Cuba as a base in the sixties, and during the early seventies we saw them send weapons thousands of miles away to link up with Cuban troops in Angola, Ethiopia and South Yemen. Then we saw Vietnam, Angola, Ethiopia, South Yemen, Iran and Nicaragua taken over by regimes hostile to the United States.

This established Soviet power:

-- In Vietnam, along China's southern border and astride the sea lanes which bring Japan's oil from the Persian Gulf.

-- It's now in Afghanistan, 500 miles closer to the warm water ports of the Indian Ocean and to the Straits of Hormuz through which comes the oil essential to Western Europe.

-- It's on the Horn of Africa overlooking the passageway of Suez which connects the Mediterranean Sea and the Indian Ocean.

-- It's in southern Africa, rich in minerals, which the industrial nations must have.

-- And Soviet power is in the Caribbean and Central America on the very doorstep of the United States.

This is a continuing process of creeping imperialism which still seeks to move into other areas of strategic significance--Chad, Honduras, Guatemala, Sudan, Thailand. The most effective technique employed in this strategy has been the use of proxies. This is not exactly new in history. The Romans used men from conquered countries to fight their enemies. Later, Swiss and German mercenaries were available to the highest bidder all over Europe. The British army had its Ghurkas and the French their Foreign Legion. But the Soviets use the Cubans, East Germans, Libyans and Vietnamese in a quite different role.

These Soviet proxies act in peace as well as war. Their role is as much political as military. Different proxies have specialized functions. Of the more than 40,000 Cubans in Africa, 80 percent are soldiers on active duty. Vietnam, with the fourth largest army in the world, keeps China and Thailand worried as it solidifies its position in Kampuchea. Just this week Vietnamese troops crossed the border into Thailand and the Chinese sent them an artillery message far to the north at the other end of Vietnam. North Korea, Libya, Cuba, South Yemen, East Germany, and Bulgaria train the security forces which organize block watchers to protect the regimes from the people and man camps for training terrorists and insurgents who are then sent around the world.

Terrorism has become a weapons system used by sovereign states to destabilize other governments and intimidate them in their foreign policy. As practiced today, terrorism is obliterating the distinction between peace and war. Major terrorist organizations and a great many more "mom and pop shops" can be hired by Iran, Syria, Libya and other radical governments. US facilities and people here and around the world are a major target and this is a major challenge for our intelligence capabilities.

Narcotics flow into the United States from South America, the Golden Triangle of Southeast Asia, from Afghanistan, from Pakistan and from Iran. They come in containers, they come in aircraft, they even come in stomachs. We see some of the huge amounts of money involved in this activity going into destabilizing political and terrorist activity.

Then we must cope with nuclear proliferation and technology transfer and the Third World debt and international competitiveness problems which could undermine political stability in so many countries, as well as our own security and prosperity.

Perhaps the most critical and the most difficult intelligence challenge we face is the assessment of Soviet technology and science and its potential for military and strategic surprise. We do this every two years. We believe we're still ahead in most of the 20 critical technologies we look at but they've pulled ahead or alongside in some and our margins and lead times tend to shrink. The ability of the Soviet military-industrial complex to acquire and assimilate Western technology far exceeds any previous estimates.

During the late 1970s, the Soviets got about 30,000 samples of Western production equipment, weapons and military components, and over 400,000 technical documents both classified and unclassified. The majority was of US origin, with an increasing share of our technology obtained through Western Europe and Japan. This truly impressive take was acquired by both legal and illegal means. We estimate that during this period, the KGB and its military equivalent, the GRU, and their surrogates among the East European intelligence services illegally stole about 70 percent of the technology most significant to Soviet military equipment and weapons programs.

-- The Soviets had our plans to the C-5A before it flew.

-- The Soviet trucks which rolled into Afghanistan came from a plant outfitted with \$1.5 billion of modern American and European machinery.

-- The precise gyros and bearings in their heavy missiles were designed in the US.

-- The radar in their AWACS is ours.

-- Their space shuttle is a virtual copy of our initial shuttle design.

-- And the list goes on and on.

Just how do the Soviets get so much of our technology?

First of all, they comb through our open literature, buy through legal trade channels, religiously attend our scientific and technological conferences,

and send students over here to study. Between 1970 and 1976, the Soviets purchased some \$20 billion of Western equipment and machinery, much of which had potential military applications.

They use dummy firms in sophisticated international operations to divert and steal Western technology. We have identified some 300 firms operating from more than 30 countries engaged in these diversion schemes. Most diversions occur by way of Western Europe, which is why we have made such a strong effort to enlist the help of our European allies in combating illegal trade activities.

US microelectronics production technology is the single most significant industrial technology acquired by the Soviets since the end of World War II. With this help, the Soviets have systematically built a modern microelectronics industry. For example, the Zelenograd Science Center, the Soviet equivalent of Silicon Valley, was equipped, literally from scratch, with Western technology. All Soviet monolithic integrated circuits are copies of US designs. They even copied the imperfections contained in some of the US samples!

The West must organize to protect its military, industrial, commercial, and scientific communities, keeping two objectives clearly in view. First, the West must seek to maintain its technological lead time over the Soviets in vital design and manufacturing know-how. Second, manufacturing, inspection, and, most importantly, automatic test equipment, which can alleviate acute Soviet deficiencies in military-related manufacturing areas, must be strictly controlled.

We have had a fair number of successes in frustrating Soviet technology. I will just mention one.

You may recall in late 1983 and early 1984, West German and Swedish Customs seized several advanced VAX computers and 30 tons of related equipment that were being smuggled to the USSR by the notorious illegal trader, Richard Mueller. This was but the tip of the iceberg. Our evidence shows that much larger quantities of computing and electronic equipment have been successfully diverted to the USSR through the activities of the Mueller firm, others like it and Western manufacturers who have dealt with them.

Now, let me close with some comments on the apparatus which American intelligence has developed to meet this broad array of challenges. My predecessors enlisted photography, electronics, acoustics, seismic readings, and other technological marvels to gather facts from all corners of the earth. These capabilities have been and are being enhanced as new technologies and new intelligence needs emerge. As a result, we will be receiving four times as many photos, signals and reports in four or five years as we are receiving now. To sift and evaluate and get practical meaning from this enormous flow of facts we must recruit and develop dedicated people. We have scholars and scientists in every discipline of the social and physical sciences--as well as engineers and specialists in computers and communications--in a profusion unmatched by any university. We tap scientists and businessmen who roam the world in their professional capacities for the information that comes their way and for the insights and understanding they develop.

All this is distilled into CIA intelligence assessments and, where appropriate, addressed in national intelligence estimates relevant to the decisions which the President and his colleagues must make. For the national estimates, the chiefs of the components of the national Intelligence Community--the Defense Intelligence Agency, the National Security Agency, the Directorate of Intelligence of the Central Intelligence Agency, the Army, Navy, Air Force and Marine Corps intelligence staffs, the FBI, the intelligence arms of State, Treasury and Energy--comprise a board of review. They are charged with contributing the information obtained by their intelligence collectors and the judgments developed by their analysts. Our estimates are no longer a homogenous semanticized consensus. They present a range of judgments on the future. A compromised consensus is not as useful in devising a policy for a future which has not yet emerged as a range of alternative outcomes which are well reasoned and substantiated.

To get the assistance of people around the world who share our values and want to help us in this work, the American Intelligence Community must maintain a reputation for integrity, confidentiality, reliability and security. The quality of the intelligence we produce, the loyalty and dedication of our people and the large numbers of Americans interested in joining our ranks demonstrate that we do maintain that kind of a reputation despite a drum beat of criticism in the media. With few exceptions, the highly publicized charges made against the CIA during the mid-seventies turned out to be false. The charges were on the front pages and their refutations were buried away so that few people noted them. This ordeal was terminated by leaders in the Congress who spoke up to declare that the Intelligence

Community had been libeled and traduced. Out of this came a congressional oversight process which has assured that special activities assigned to intelligence are known and scrutinized by elected legislators responsible directly to the people. Still, intelligence gets a lot of flack. Everything imaginable is charged to secret intelligence activities. Its purpose and activities are widely misrepresented.

The intelligence function is so critical to our present security and our future national interests that it must be defended. The people who put their careers on the line to carry out this function have made it clear that they expect their leaders to defend them, their skill and their extraordinary record of accuracy, and to speak up for their integrity without which they cannot secure the trust and support essential to their mission.

Let me tell you something about the people who meet this sweeping challenge every day. I will start by telling you what they say about themselves. Their quality and character is epitomized in the CIA credo which declares their mission and the standards they demand of themselves. It says:

-- Our mission is to produce timely and high quality intelligence for the President and the Government of the United States.

-- We provide objective and unbiased evaluations and are always open to new perceptions and ready to challenge conventional wisdom.

-- We conduct our activities and ourselves according to the highest standards of integrity, morality and honor and according to the spirit and letter of the law.

-- People are our most important resource. We seek the best and work to make them better.

The people in the CIA have survived one of the most rigorous screening processes known to man--the highest skill requirements, the toughest intelligence and psychological testing, severe medical clearances, security clearances, polygraphs. This gives us high confidence that those who get through this obstacle course are smart, clean of drug and alcohol addiction, healthy and psychologically able to cope. Last year we had 153,000 inquiries for employment; we selected [] applicants for interviews. Of those, [] were interviewed and actively considered for employment. [] were given all the tests. Of those [] made it through the entire screening process and entered on duty. After a candidate has emerged from that funnel, there is a 3-year probationary period. Those who attain career status and their families live with any number of security responsibilities--heavy travel and away from home demands, heavy pressure and time requirements and many other constraints. Last year they forfeited 97,000 hours of annual leave and worked untold hours of uncompensated overtime. You won't find that in your ordinary organization. Finally, throughout their career there is no public recognition for their achievements, and criticisms--justified or not--must be tolerated in silence.

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In their burdens, there is a satisfaction to be found. These are the people our national leaders turn to when something needs to be done well and fast. Perhaps it is perverse, it may be subtle, but it is real. It is founded on the knowledge that intelligence is our first line of defense, that on doing it well may hang our security and future as a nation. That satisfaction is heightened by understanding the perils represented by nuclear weapons, by international terrorism, by deliberate destabilization, subversion

and support of revolutionary violence around the world, by a virtual litany of threats like nuclear proliferation, narcotics, theft of our technology, active measures to damage our reputation, confuse our people and divide us from our friends and allies and so many others. There is satisfaction and challenge in being the ones called upon for constant vigilance and readiness to cope with these threats. The bonds of trust and sharing of responsibility among us flourish from knowing that the burdens and the risks are carried with courage and grace, from realizing how success, effectiveness and safety depends on the contribution and reliability of each of us, from feeling the human and economic cost of each granule of information that pours into our hands and minds and from knowing how the value of all that hangs finally on the care and depth and breadth and precision with which those nuggets of intelligence are evaluated, analyzed and interpreted for their practical meaning. It is by confronting all this in its multiple dimensions and meeting that responsibility in different ways at various levels and with growing effectiveness that the qualities of skill and spirit and the dedication and cohesion which characterize the American Intelligence Community are developed and maintained.

This is not our intelligence service. It is yours. It works for our common security and well-being. There are things you can do to help it.

-- You can speak up when our work and purposes are misunderstood or misrepresented.

-- You can share your knowledge and insights with our officers who contact you for guidance and information.